E-01461A-15-0057 OPEN MEETING AGENDA ITEM

ORIGINAL

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ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Tom Davis **Phone:** **Fax:**

Priority: Respond Within Five Days

Opinion **No.** 2015 - 122389 **Date:** 5/14/2015

Complaint Description: 19Y Net Metering
N/A Not Applicable

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	First:	Last:		
Complaint By:	Terry	Finefrock		
Account Name:	Terry Finefrock		**Home:**	
Street:			**Work:**	
City:	Tucson		**CBR:**	
State:	AZ	Zip: 85718	**is:**	E-Mail

Utility Company. Trico Electric Cooperative, Inc.
Division: Electric
Contact Name: **Contact Phone.**

Arizona Corporation Commission
DOCKETED
MAY 14 2015
DOCKETED BY

Nature of Complaint:

DOCKET # E-01461A-15-0057

The Net Metering rule change parts of the TEP and TRICO dockets (15-0100 & 15-0057) and claims of unapproved shifting of costs from one customer to another should be rejected or deferred until the Utilities next base rate case where ALL SYSTEM costs AND benefits, Customer class rate equity and appropriate rate structure changes, suggested by TEP as a root cause for their issues, can be properly considered. Current surcharges provide appropriate relief IF the claims can be substantiated and justified.

Following are circumstances, information and prior precedent conduct that support my suggestion:

The REST, Net Metering rules and Renewable Energy Surcharge (RES) charged to all customers were approved by all parties and adopted by the Commission recognize the NET positive benefit of customer capitalized solar energy generation (DG).

The RES recovers all costs required to support the REST DG implementation schedule (1.5% 2014).

The applications focus on recovery of (claimed but unsubstantiated) costs for DG that exceeds the current year requirement. That generation should be considered as early achievement of future year requirements which the utilities have professed concerns (Track & Record) in satisfying because of prior actions that make Ratepayer Owned DG more expensive or onerous to establish.

For many years after the REST was adopted, although both utilities collected all authorized RES funds, both remained delinquent to the cumulative Utility & DG generation requirements without financial penalty. Commissioner Mayes in open docket chastised both TEP & APS for that delinquency; (paraphrase) the only(solar) steel in the ground is that established by your customers.

TEP's 2014 10k filing states and acknowledges that the LFCR mechanism allows recovery of certain non-fuel costs related to kWh sales lost due to EE programs and DG via annual true-up of unrecovered costs.

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TEP's 2014 10k filing also acknowledges that 2014 Residential sales were 3.6% lower than expected due to fewer cooling days, which supports comment I previously submitted to this docket that neither TEP nor TRICO have provided any reasonable evidence that there are any fixed costs not being recovered directly attributable to a Net Metering customer, that IF there are unrecovered fixed costs that they are likely due to depressed economy or other factors.

As mentioned in prior comments I filed to this docket, the extreme Net Metering rule changes requested by these applications will substantially interfere with free market provision of lower TOTAL cost energy solutions to ratepayers who are the same persons as taxpayers, exacerbated by TEP's new program to provide DG Rooftop Solar Systems to customers. These actions will increase the difficulty in Utility compliance with REST DG goals that provide significant NET benefit to ratepayers.

SOCIALIZATION OF COSTS, PRIVATIZATION OF BENEFITS
The TEP fairness concern, regarding a very small portion of the same Customer class shifting unsubstantiated significant costs to other members of that class, conveyed by their application is disingenuous at best, and just one more example of their basic values and objectives; to socialize and justify avoidable costs while privatizing the benefits to TEP shareholders.

The Financial & Operating Performance Objectives/Metrics included in TEP's 2014 10K filing (Page 103), 90% to increase net income(sales revenues) and financials for the sole benefit of shareholders and only 10% for cost reduction, used to determine and provide the $21M of 2014 compensation to six of their Executives(page 110), reflect TEP's base motivations for this application; to increase their sales revenues, not provide customer rate equity. As does the average 6.1c/kwh charges(fixed cost recovery) reflected in their 10k document to 4 Mining customers that represent 12% of kWh usage and fixed cost recovery, while charging Commercial and Residential customers 12 and 11c/kWh that represent 65% of fixed cost recovery. Note: TEP analysis of a 2013 Residential rate indicates that DG Infrastructure/Delivery costs are just 2.7c/Kwh, Residential and Commercial charge/kwh rates should be no more than 2.7c/kWh(8.8c/kWh) greater than a mining customers charge. TEP's forward looking 10K comments indicate an expansion in mining sales, a clear indication that these for-profit utility customers can and should pay a greater and their fair share of fixed costs.

CONCLUSION
I agree with TEP's premise that the current rate structure and surcharges require revision. However, I strongly disagree with their strategy that the structure should be changed considering individual cost and benefit one component at a time, any revisions should consider all components of the system for the LIFETIME of those assets, allow recovery of REASONABLE costs, deny recovery of unreasonable costs, provide incentives for responsible adoption of lower cost technologies, AND clearly optimize benefit to ratepayers. And that Utility Performance Metrics related to compensation predominantly emphasize cost reductions vs. cost and sales increases. As per my prior correspondence to the Commission, a rate structure based on system vs. component costs, that allows recovery of current costs but that provides Return on Rate & Equity based on sharing of (cost) reductions in charges to customers between shareholders and ratepayers would be effective in transitioning our Utilities to a continuous improvement culture that provides sustainable benefit to both parties. Reduce cost, base rate and surcharges to Customers, by 10%, reduce the rate/surcharges by 6%, shareholders EARN 4%.

Please defer the requested Net Metering rule changes to each utility's next Base Rate case and include my suggested rate structure revisions in that Base Rate case.

Mr. Terry Finefrock, TEP Ratepayer
End of Complaint

<u>Utilities' Response:</u>

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<u>Investigator's Comments and Disposition:</u>